

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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August 26, 2016

TO:

Supervisor Hilda L. Solis, Chair

Supervisor Mark Ridley-Thomas

Supervisor Sheila Kuehl Supervisor Don Knabe

Supervisor Michael D. Antonovich

FROM:

John Naimo

Auditor-Controller

SUBJECT:

PUBLIC COUNSEL - A DEPARTMENT OF PUBLIC HEALTH DIVISION

OF HIV AND STD PROGRAMS PROVIDER - CONTRACT

COMPLIANCE REVIEW

We completed a contract compliance review of Public Counsel (or Agency), which included a sample of transactions and case files during March through November 2014. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with Public Counsel to provide legal services to indigent persons living with HIV/AIDS.

The purpose of our review was to determine whether Public Counsel appropriately accounted for and spent DHSP funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and other applicable guidelines.

Our review covered one DHSP contract with Public Counsel, for which DHSP paid the Agency approximately \$101,000 on a cost-reimbursement basis during March through November 2014. Public Counsel provides services to residents of all Supervisorial Districts.

Results of Review

Public Counsel maintained adequate documentation to support client eligibility for DHSP services, maintained personnel files as required, and charged payroll expenditures appropriately. However, the Agency did not maintain a separate accounting Cost Center for the DHSP contract as required.

Board of Supervisors August 26, 2015 Page 2

Public Counsel's attached response indicates that they agree with our recommendation and will ensure that they maintain a separate Cost Center as required.

Details of our review, along with a recommendation for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with Public Counsel and DHSP. Public Counsel's attached response (Attachment II) indicates agreement with our finding and recommendation. DHSP will work with Public Counsel to ensure that our recommendation is implemented.

We thank Public Counsel management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

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Attachments

c: Sachi A. Hamai, Chief Executive Officer
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health
Paul W. Sweeney, Jr., Chairperson, Public Counsel
Margaret M. Morrow, President and Chief Executive Officer, Public Counsel
Public Information Office
Audit Committee

PUBLIC COUNSEL DEPARTMENT OF PUBLIC HEALTH DIVISION OF HIV AND STD PROGRAMS CONTRACT COMPLIANCE REVIEW MARCH THROUGH NOVEMBER 2014

ELIGIBILITY

Objective

Determine whether Public Counsel (or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received the Department of Public Health, Division of HIV and STD Programs (DHSP), Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services.

Verification

We reviewed the documentation stored in the case files for five (5%) of the 94 clients that Public Counsel claimed received Ryan White services during March through November 2014.

Results

Public Counsel maintained documentation to support the eligibility of the five clients reviewed.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether Public Counsel maintained documentation to support the services charged to DHSP.

Verification

We reviewed the case files for five (5%) of the 94 clients that the Agency claimed received Ryan White services during March through November 2014.

Results

Public Counsel maintained documentation to support the services provided to the five clients reviewed.

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Recommendation

None.

CASH/REVENUE

Objective

Determine whether Public Counsel properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank reconciliations were prepared timely, and reviewed and approved by Agency management.

Verification

We interviewed Public Counsel's management, and reviewed their financial records and September 2014 bank reconciliations for two bank accounts.

Results

Public Counsel properly recorded revenue in their financial records, deposited DHSP cash receipts into their bank accounts timely, and bank reconciliations were prepared timely, and reviewed and approved by Agency management.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Public Counsel developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to DHSP were allowable, properly documented, and appropriately allocated.

Verification

We interviewed Public Counsel's personnel, and reviewed their Plan and their financial records. We did not perform expenditure test work as Public Counsel's non-payroll expenditures charged to DHSP were immaterial.

Results

Public Counsel developed their Plan using an appropriate cost allocation methodology.

Public Counsel Page 3

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether Public Counsel maintained personnel files as required and charged payroll expenditures to DHSP that were allowable, properly documented, and appropriately allocated.

Verification

We interviewed employees, and reviewed personnel files for three employees. We also compared the payroll expenditures for the three employees, totaling \$10,814 for September 2014, to the Agency's payroll records and time reports.

Results

Public Counsel maintained personnel files as required and charged payroll expenditures to DHSP that were allowable, properly documented, and appropriately allocated.

Recommendation

None.

COST REPORT

Objective

Determine whether Public Counsel's Contract Year (CY) 2013-14 Cost Report reconciled to their financial records, and if the Agency's administrative costs were within their contract's ten percent limit.

Verification

We compared Public Counsel's CY 2013-14 Cost Report to their financial records. We also determined whether the Agency's administrative costs were within their contract's ten percent limit.

Results

Public Counsel's CY 2013-14 Cost Report reconciled to their financial records, and their administrative costs were within their contract's ten percent limit. However, the Agency did not maintain a separate accounting Cost Center for the DHSP contract as required.

Recommendation

1. Public Counsel management maintain a separate accounting Cost Center for each contract as required.





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August 3, 2016

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John Naimo, Auditor-Controller County of Los Angeles

Dear Mr. Naimo:

This letter is in response to the audit report dated July 28, 2016.

The report recommended that Public Counsel management maintain a separate accounting Cost Center for each contract as required.

We believe we have maintained a Cost Center for all contracts out of Quickbooks and Excel, which created the audit trail. However, we agree with the recommendation and will ensure that we maintain a separate Cost Center in Blackbaud Financial Edge, which we recently purchased and are currently testing in parallel with QuickBooks. We will begin running Financial Edge exclusively at the start of our fiscal year, on September 1, 2016.

Sincerely,

Margaret de Morron Margaret M. Morrow Président and CEO